

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2013**

**Legislative Fiscal Note**

**BILL NUMBER:** House Bill 1224 (Fourth Edition)

**SHORT TITLE:** Local Sales Tax Options/Econ. Dept. Changes.

**SPONSOR(S):** Representative Presnell

<b>FISCAL IMPACT</b>					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<b>State Impact</b>					
General Fund Revenues:					
General Fund Expenditures:	See Assumptions and Methodology				
<b>NET STATE IMPACT</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Local Impact</b>					
Revenues:	See Assumptions and Methodology				
<b>NET LOCAL IMPACT</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
 <b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>					
Commerce, North Carolina Department of Revenue					
 <b>EFFECTIVE DATE:</b> July 1, 2014					
 <b>TECHNICAL CONSIDERATIONS:</b>					
None					

**BILL SUMMARY:**

Part I of the PCS enacts Article 43A, the County Sales and Use Tax for Education. The PCS also modifies two local sales tax options, Article 46 and Article 43. Part II of the PCS would expand the eligibility criteria for the Job Maintenance and Capital Development Fund. Part III of the PCS would create the Job Catalyst Fund inside the Department of Commerce. Part IV would provide an additional \$14M to the JDIG cap for the 2013-2015 biennium.

**ASSUMPTIONS AND METHODOLOGY:**

***PART I LOCAL OPTION SALES TAX FOR EDUCATION***

HB 1224 creates Article 43A. Article 43A grants counties the authority to levy an additional sales tax designated for education. The bill also limits the maximum local sales tax rate to 2.5% in all but two counties, Durham County and Orange County, where the local rate is currently 2.75%. Table 1 below highlights the fiscal impact of enacting Article 43A or Article 43 at the maximum possible rate during the 2015-16 fiscal year.

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

## Legislative Fiscal Note

**Table 1. Maximum Sales and Use Tax Levy and Additional Revenue under Article 43 or Article 43A, by County, Fiscal Year 2015-16**

County	Current Rate	Article 43A 2.25%	Article 43A 2.50%
Alamance	2%		\$9,471,497
Alexander	2.25%	\$429,327	
Alleghany	2%		\$332,160
Anson	2%		\$633,702
Ashe	2%		\$1,028,718
Avery	2%		\$1,023,458
Beaufort	2%		\$2,154,416
Bertie	2%		\$395,156
Bladen	2%		\$1,031,719
Brunswick	2%		\$6,425,215
Buncombe	2.25%	\$10,337,325	
Burke	2%		\$3,012,717
Cabarrus	2.25%	\$6,950,468	
Caldwell	2%		\$2,660,782
Camden	2%		\$283,508
Carteret	2%		\$4,859,546
Caswell	2%		\$289,751
Catawba	2.25%	\$4,930,009	
Chatham	2%		\$2,239,828
Cherokee	2%		\$1,224,004
Chowan	2%		\$553,044
Clay	2%		\$325,302
Cleveland	2%		\$4,032,516
Columbus	2%		\$1,884,654
Craven	2%		\$4,884,160
Cumberland	2.25%	\$10,130,063	
Currituck	2%		\$2,244,787
Dare	2%		\$6,758,031
Davidson	2%	\$2,542,035	
Davie	2%		\$1,463,108
Duplin	2.25%	\$932,806	
Durham	2.75%		
Edgecombe	2.25%	\$841,171	
Forsyth	2%		\$23,292,486
Franklin	2%		\$1,562,140
Gaston	2%		\$9,030,729
Gates	2%		\$151,725
Graham	2%		\$294,500
Granville	2%		\$1,459,005
Greene	2.25%	\$152,379	
Guilford	2%		\$31,996,220
Halifax	2.25%	\$1,154,351	
Harnett	2.25%	\$1,629,411	
Haywood	2.25%	\$1,595,227	
Henderson	2%		\$5,012,673
Hertford	2.25%	\$549,388	

**Table 1. Maximum Sales and Use Tax Levy and Additional Revenue under Article 43 or Article 43A, by County, Fiscal Year 2015-16**

County	Current Rate	Article 43A 2.25%	Article 43A 2.50%
Hoke	2%		\$929,305
Hyde	2%		\$288,347
Iredell	2%		\$9,590,186
Jackson	2%		\$1,929,605
Johnston	2%		\$7,188,541
Jones	2%		\$162,871
Lee	2.25%	\$1,649,370	
Lenoir	2%		\$2,697,362
Lincoln	2%		\$2,710,617
Macon	2%		\$2,162,931
Madison	2%		\$443,247
Martin	2.25%	\$521,013	
McDowell	2%		\$1,543,880
Mecklenburg	2.5%		
Mitchell	2%		\$694,646
Montgomery	2.25%	\$380,395	
Moore	2%		\$5,400,349
Nash	2%		\$4,947,940
New Hanover	2.25%	\$9,236,387	
Northampton	2%		\$447,420
Onslow	2.25%	\$5,333,338	
Orange	2.75%		
Pamlico	2%		\$368,465
Pasquotank	2%		\$2,445,676
Pender	2%		\$1,672,609
Perquimans	2%		\$263,781
Person	2%		\$1,443,933
Pitt	2.25%	\$5,243,318	
Polk	2%		\$475,672
Randolph	2.25%	\$2,448,354	
Richmond	2%		\$1,678,680
Robeson	2.25%	\$2,391,361	
Rockingham	2%		\$3,150,575
Rowan	2.25%	\$2,677,499	
Rutherford	2%		\$2,547,320
Sampson	2.25%	\$1,047,991	
Scotland	2%		\$1,303,301
Stanly	2%		\$2,500,923
Stokes	2%		\$928,184
Surry	2.25%	\$2,066,687	
Swain	2%		\$512,488
Transylvania	2%		\$1,411,774
Tyrrell	2%		\$102,991
Union	2%		\$7,523,025
Vance	2%		\$1,969,027
Wake	2%		\$64,974,739

<b>Table 1. Maximum Sales and Use Tax Levy and Additional Revenue under Article 43 or Article 43A, by County, Fiscal Year 2015-16</b>			
<b>County</b>	<b>Current Rate</b>	<b>Article 43A 2.25%</b>	<b>Article 43A 2.50%</b>
Warren	2%		\$383,470
Washington	2%		\$394,006
Watauga	2%		\$3,609,571
Wayne	2%		\$5,542,204
Wilkes	2.25%	\$1,358,424	

<b>Table 1. Maximum Sales and Use Tax Levy and Additional Revenue under Article 43 or Article 43A, by County, Fiscal Year 2015-16</b>			
<b>County</b>	<b>Current Rate</b>	<b>Article 43A 2.25%</b>	<b>Article 43A 2.50%</b>
Wilson	2%		\$4,543,748
Yadkin	2%		\$935,074
Yancey	2%		\$567,507

***PART II JMAC MODIFICATIONS***

While the PCS to House Bill 1224 broadens eligibility for the JMAC program and increases total award capacity to \$79 million, the legislation does not expressly require this capacity to be used.

However, Commerce has relayed to the Fiscal Research Division that the impetus for JMAC program expansion is the retention of Evergreen Packaging in Haywood County. If the PCS is enacted, Commerce plans to award the company a JMAC in FY 2014-15 and structure the contract for the company to receive a total of \$12 million over six fiscal years, with payments of \$2 million annually (FY 2015-16 through FY 2020-21). Committing this award would absorb the remaining available \$12 million JMAC award capacity (\$79 million permissible award capacity proposed in the PCS less \$67 million utilized liability to-date for awards to Bridgestone, Goodyear and Domtar).

Existing JMAC statutes limit a grant period to up to 10 years and restrict the annual cost of any one award to no more than \$6 million. Regardless of whether Commerce’s plans for Evergreen Packaging become reality, if the PCS is enacted, then JMAC will have \$12 million worth of unutilized award capacity. If fully utilized, cost implications range between \$1.2 million a year for 10 years and \$6 million a year for two years, which would require future General Fund appropriations.

***PART III JOB CATALYST FUND***

This section of the bill establishes the Fund, but has no fiscal impact since the PCS does not provide the Fund with 1) an appropriation or 2) a threshold under which awards are authorized to be committed.<sup>1</sup>

***PART IV JDIG MODIFICATIONS***

This section of the bill increases the 2013-15 fiscal biennium award capacity for the Job Development Investment Grant program by \$14 million. Given that grant terms can be up to 12 years, the PCS generates an additional maximum liability for the program of \$168 million (actual payments are based on company performance).

***PART V CROWD FUNDING***

This section of the bill levies a fee of \$150 on the issuer of the securities to be paid to the Secretary of State’s office. The funds collected shall remain in a non-reverting account and the Secretary of State shall use the funds to pay for the costs of enforcing this section. Fiscal Research does not have an estimate on the number of businesses that will utilize the crowd funding exemption and thus cannot estimate the additional revenue generated by this section.

<sup>1</sup> Other economic development grant programs are permitted a certain award capacity threshold under which to make grant commitments; examples include the Job Development Investment Grant program, One North Carolina Fund, and JMAC.  
House Bill 1224 (Fourth Edition)

**SOURCES OF DATA:** Commerce; North Carolina Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** July 29, 2014



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